REFORM OF THE CURRENCY.

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I.

THE verdict of the conservative, reflective, and patriotic people of this country, as expressed in the recent election, was positive in its judgment of distrust of Mr. Bryan, disapproval of the wild vagaries and financial heresies advocated by him, as it was overwhelming in its condemnation of the destructive policies set forth in the Chicago platform.

Aside from the question of upholding constitutional government which involved the supremacy of the laws supporting the properly constituted authorities in suppressing disorder and maintaining peace and social order, and a sentiment of deference and respect toward one of the great co-ordinate branches of our government, the judiciary, this avalanche of majorities from Maine to California must be taken as a pronounced and emphatic expression of disapproval toward the party or platform whose policy or purpose would lead to a debasement of our currency. By the ballot the American people have spoken boldly and without evasion in favor of a sound and unfluctuating currency and an honest and staple system of finance.

The cause of the great party that was successful on November 3d in this campaign of common sense and education was upheld before the people in the contention that we now had the best and soundest currency in the world; that our system of finance had stood the test of time and varying conditions, and should be kept intact and maintained at all hazards. Thousands of our ablest

speakers, and tons of literature spread broadcast by the National Committee, supported this view and advanced the belief, backed by sound logic and argument that could not be controverted, that the threat and avowed purpose of the Popocrats to change or alter our financial system and tinker with the currency was the cause of the business depression, unrest, and panicky feeling that prevailed in this country since the Chicago Convention adjourned.

And now, before the echoes of this cyclone of public indignation against those whose success meant industrial paralysis, personal bankruptcy, and national dishonor have passed away, we are confronted with a proposition to further revise our financial system by national legislation. We must recognize the necessity of ultimately retiring our greenback currency by issuing a long-time low interest-bearing bond which could be sold to our own people and used as a circulating medium in place of the three hundred and sixty million government notes or greenbacks now in circulation, which act as a standing menace to our gold reserve. For the reason that the Senate of the United States is so organized that the small silver States hold the balance of power and have the same votes as New York or Pennsylvania, it would certainly reject any measure that did not provide for free coinage at a ratio of 16 to 1. But a sentiment of admiration amounting almost to love for the greenback currency exists among our people. It was the greenback that helped to save the nation's life. It has been used as money for a generation. It is more convenient and acceptable to handle or carry than silver or gold, and a proposition to retire it and issue in its stead an interest-bearing note to be used as currency, no matter how low that interest may be, will not meet with favor from a large number of our people. Especially will this be true when it is known that many eminent statesmen, such as Senator Sherman and others, are pronounced and outspoken in opposition to any measure that would take the greenback from circulation. However strong and effective our safeguards may be, a President like Mr. Bryan, with a Congress in accord with his views, would soon find a way to override and disregard legislative restrictions. The practical and feasible course to pursue at this time would be for the commercial bodies and Boards of Trade of the country to take steps looking to the creation of a commission, composed

of practical, conservative business men empowered to formulate and recommend to the American Congress a system of currency and finance, removed as far as possible from the domain of party politics, that would determine and settle this vexed question, so that in the future it would not appear in every campaign to cause unrest and apprehension to the great business and industrial interests of the land.

J. C. ADAMS.

II.

THE hard times from which the country has suffered during the past three and a half years have been due not to any especial infirmity in the currency, but simply to a depletion (which has resulted from a low tariff) of national revenue and industrial earnings. The provision of 1890 for the purchase of silver bullion, to the extent of four and a half million ounces per month, did communicate a disease to the currency ; yet so assured were both our revenue and industries that when, in order to compass a repeal of that provision, President Cleveland called an extraordinary session of Congress five months after his return to executive duty, he gave frank testimony to the wonderful prosperity which had prevailed despite that improvident enactment. His message recited that "with plenteous crops, with abundant promise of remunerative production and manufacture, with unusual invitation to safe investment, and with satisfactory assurance to business enterprise, sudden financial distrust and fear have sprung up on every side." The threat of a low tariff and the election of a Congress to discharge that threat, seemed fully to explain the "sudden distrust." Capital began to shrink into covert and the industries winced, just as one's nerves feel, before its descent, a knife aimed to strike. The repeal of the silver-purchasing clause in no wise appeased the distrust; the promise of remunerative production, the invitation to investment and the satisfactory assurance to business enterprise still became less and less, down to the ultimate enactment of the present tariff. What followed, in the absolute prostration of scores of industries, now fast regaining their feet, in our lack of adequate revenue for the needs of the government, in our constraint to sell bonds, in our increase of debt, and in our market-disquiets, need not be rehearsed. The fault has not been in our currency, but in the denial of a fair opportunity for its service in

reasonably confident enterprise; in the arrest by distrust of its proper distribution through all the employments.

To throw away millions of duties to the foreigner as donations, and then tease them back as loans, is not business-like; nor is inviting foreign competition in our markets so that wages may steal away in the price of imported commodities to other bread-winners than our own. The late Vice-Presidential candidate, Mr. Sewall, said concerning the industry of shipbuilding at a mass meeting at Bath, Me., two years ago: "If we can go to the Clyde, and buy ships ten or twenty per cent. cheaper than we can build them here, not another ship will be built in that yard." The people having just declared for an honest dollar; having pledged forty-nine cents' worth of faith to reinforce fifty-one cents' worth of silver, while the issue of that metal is limited to the measure of our gold-power to steady it; having discovered that adulterating currency is not making more purchase power, but impairing it, there seems to be no need of any further present experiment at "reform of the currency."

The earning power of the wage-earner's arm must have health behind it; to currency the needed health is such conditions of credit as shall encourage its active outreach.

Unquestionably the main issue in the late election was protection. This fact is witnessed in the prompt summons addressed from the polls in 1894 to the present House of Representatives; in the peremptory reassertion of the same protection purpose in 1895; in the evasion of the tariff question at Chicago last July by the projecting of another issue in flat contradiction of all Democratic history down to 1892; in the steadfast insistence of the President-elect upon the protection issue and the prominence of that issue in the platform whereon he stood; in the widespread resentments of capital and labor because of the grave privation they had sustained, and in their recognition that unlimited silver meant, among other mischiefs, forty-nine per cent. less of the present low duties paid by the foreigner.

Mr. McKinley was numerously supported by other than his own partisans, because the Chicago Convention saw, in view of the Democratic tariff reverses of 1894 and 1895, a popular determination, which many Populists shared, for a better tariff, and it erroneously presumed that a misinterpretation of Democratic doctrine in respect of the currency would work no defection in

Democratic ranks, while it would attract Populist recruits. The result was to array against Mr. Bryan not only the protectionists, but also that part of the Democracy which would not surrender a conviction in respect of gold as a measure of value. This element preferred the Democracy of Jefferson, Jackson, Benton, and Tilden to that of Bryan, which was a capitulation to men who were Populists—truants in most States from the Democratic party. To this minority of McKinley's supporters the currency was the main issue; to the majority industrial protection was, doubtless, the main issue, with a keener tingle given to it by the currency issue, while the Chicago menace to our judiciary quickened general apprehension.

In other words, the result of the recent struggle, as a whole, means, so far as relates to currency, rescuing it from vitiation, unlocking it from its hiding places, and putting it to work in an atmosphere of good faith. This involves ample revenue to the government for its needs, shrinkage of our national debt, and an impetuous circulation of our currency in industrial rewards.

While, in view of the constraints and cautions imposed upon national banks, the 10 per cent. restriction upon their issues might, perhaps, be removed, we need no more per capita than we have now—$24.65—which is more than we ever had before; what we do need is its active employment. Some contend that we should retire our United States notes and thus arrest their suction power upon the Treasury, but from 1879, when we began resumption, down to the hour when deficiency in revenue was threatened, less than three millions of these notes had been annually presented for redemption, while during the past three and a half years over one hundred millions of the notes have been so presented each year. The fault has not been in the persistent reissues of notes, but in the lack of revenue which made such reissues necessary. A man who claps a mustard plaster on his stomach after having overeaten has no reason to blame the hot plaster for his own folly. We had better make such provision by law that, for some time to come, at least, the burden of providing gold for note redemption will not be thrown upon banks, but that we may secure proper income from such people as want our market, through duties on imports that compete with ours, and reopen reciprocity treaties in respect of dissimilar products, in order to draw in stores of for-

eign gold for our meat, farm, and factory products, distributed abroad. We can thus best reinforce our currency system, and what is reciprocity but elastic protection? During the same December week in which the Wilson Congress met, the London Chamber of Commerce rallied all the trade bodies of England to complain to the British government that, in that year, British merchants had by reason of our reciprocity treaties sustained losses to the extent of thirty millions of dollars. A return to reciprocity, be it said, would involve no peril to the sugar industry of this State. The chemical analysis of the soil of numerous States even as high up as Oregon, the extent of sugar beet production in them before the Fifty-third Congress discouraged it, and the evidence that they are superior to Germany for that staple, seem to denote that an application of the measure of duty on foreign sugar as bounty on domestic sugar would profitably diversify Western agriculture, multiply Louisianas, and so expand a great industry as soon to obviate our need of a pound of the imported staple. Where criticism might be most expected the bounty could be shared by farmers, competition with whose wheat exports now demands more and more new service from their acreage, and so far as Louisiana is concerned she would no longer be subject to the caprice of this or that Congress, but have stout and steadfast allies there with a kindred interest from divers States. She is but one forty-fifth of the statehood of this Union, and cannot afford to antagonize anew forty-four other forty-fifths, when the Dingley emergency-bill, which has already passed the House, in assurance of forty millions of dollars of additional revenue, shall be called up in the Senate. Free entry for foreign sugar, the application of a bounty to stimulate the home-production of sugar over a large area of our country, and the output of our twenty-two hundred products from furrow to factory, all under reciprocal treaties, will best befriend all our industries, that of sugar included. To "reform the currency," in fine, we have only to reform our wasteful methods in respect of revenue and industrial incomes.

A. K. MILLER.

III.

AFTER the experience of the last four months, the business interests of the country demand that a recurrence of such financial insanity and business congestion as we have recently passed

through should be made impossible. The politicians, who have for the last thirty-five years been at the bottom of all our misery financially, should be warned off by the business interests of the country and made to understand that the time has arrived when party interests must be relegated to the rear and reform be brought about of so drastic a character as to bring federal finance into line with the most approved principles of currency circulation.

If Boards of Trade and Chambers of Commerce could bring such pressure upon Congress as would lead to the appointment of a commission to report upon the defects of our own system, and point out the advantages of other systems—those, for instance, of France and Scotland—there might be prepared early in the session of the new Congress a bill which would commend itself to every patriotic citizen who has the love of his country at heart.

I take it the objects of such legislation, when obtainable, would be to first prove that "the piebald currency" of the United States government is entirely unconstitutional, and we should return as rapidly as possible to the fundamental principles upon which the fathers of the country established our rights.

The constitution partly defines the duties of the federal government, to be: "to coin money; regulate the value thereof, and of foreign coin." Further on it defines what States *cannot* do, namely: "coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts."

The makers of those sections had a lively knowledge of the "continentals" unredeemed to the extent of $200,000,000.

Hence silver was degraded, its functions usurped by fiat paper, and currency troubles began in 1862 with the issue of greenbacks and their use as legal tender, which were intensified later by national bank notes, Bland certificates, and Sherman notes.

How shall these be eliminated from the circulation without a contraction of the currency, and our own available silver made to do its legitimate duty, as it does in France, namely, answer all purposes for till-money, pocket-money of the people, and the domestic exchange of the country, gold being used only for the foreign exchanges? I would suggest that the first thing neces-

sary would be to require the commercial men of the country and our bankers to agree upon a report which when embodied in legislative enactment would drive out of circulation $346,000,000 of greenbacks; $336,000,000 of Bland certificates; $160,000,000 of Sherman notes; and some $225,000,000 of National Bank notes, turning into circulation $600,000,000 of silver and $120,000,000 of so-called gold reserve now lying in the United States Treasury and its branches performing no good service.

Thus the banking business of the country would be left to those to whom it legitimately belongs—the people themselves—and the duties of the Secretary of the Treasury would be confined to the collection of revenue and its disbursement according to law. Legislation would also be required to cover a scheme looking to the federation of the 14,000 banks in the country, after the example of the Bank of France, by which the bulk of their cash capital might be concentrated in the vaults of a central bank of issue and re-discount, and its branches, for reserve, against which should be issued legitimate bank paper, in denominations of not less than ten dollars. The working of such a bank, guarded by Federal officials, has been ably set forth in detail by the editor of our *Bankers' Magazine*. The action of such a plan would be of so automatic a character that the bank note would be always based upon gold and silver coin and live assets.

The successful operation of such a method is not a thing of speculation in New York, for in the panic of 1893 the bankers of that city had recourse to the same principle, when they, in return for deposits of gilt-edged securities to the New York Clearing House, issued what are known as Clearing House certificates. Within the last few months the banks of New Orleans were reported to have prepared a scheme for the issuance of Clearing House certificates based upon this same proposition. If this was found practicable in New York and effected the salvation of the credit of that city at the time, why should it not be made available for the entire country? It would furnish a legitimate bank note, exchangeable at par in every State, guaranteed by coin deposits of the bank issuing the note, and it would open a way by which silver could be utilized to the same extent in the United States as it is in France, say, twenty dollars per capita.

We sent to the Brussels Monetary Conference representatives

who were permitted to air the many silver fads which lately culminated in a free silver plank, and wrecked a great national party. M. Tirard, one of the French representatives, replied to these and other so-called bimetallists by tersely telling them that when they returned home they should have their peoples use silver to the extent of five dollars per capita, which would solve the monetary problem and raise silver to par.

Think of the effect of such a reform of our present financial disabilities. With a population of seventy-five millions using twenty dollars per capita, forcing into circulation $1,500,000,000 of silver, the effect would be such an appreciation in the price of that metal as would bring it shortly to par, for it would take probably ten years to mine and mint our demand.

The gold reserve of the country would be limited to the settlement of foreign accounts, and all the weight of credit which now lies upon gold only would be distributed over $1,500,000,000 of of silver and $1,000,000,000 of legitimate bank notes.

The coin capital of the country would be at once trebled by the issuance of bank paper based on gold, silver, and gilt-edged securities, leaving a safe reserve in the Central Bank and its branches of thirty-three and one-third per cent. gold coin.

I have been amused greatly at the way in which Eastern people talk of "solid" money, considering how little they make use of it, preferring, apparently, fiat paper.

A neighbor of mine tells me of a Californian not very long ago entering a shoe-store in New York and purchasing a pair of slippers. The price was seventy-five cents. He handed the clerk a twenty-dollar gold piece, and noticed the typewriter, the accountant, the salesman, and the "boss" with their heads together. After consultation the clerk approached the Western man, handed him the twenty-dollar gold piece, and took back the slippers! They were positively afraid to give the change, fearing that the coin was "bogus."

The same thing happened six months ago in a hat store in Philadelphia, where one of my neighbors tendered a twenty-dollar gold piece in payment of a two-and-a-half-dollar hat. The clerk returned from the cashier's desk and said that "they did not have the change until the proprietor returned from his lunch."

In November last, the writer was a delegate from the Chamber of Commerce of this city to a convention of Ship Owners and

the National Grange, at Worcester, Mass. My hotel bill was sixteen dollars; I laid on the counter a twenty-dollar gold piece, which the clerk first tried with his teeth, then rang on a glass-plate, and said: "You are from California, sir, are you not?" To which I replied in the affirmative.

"This is gold?"

"Certainly," I said.

By this time there had gathered around me not less than half a dozen men, who, by their looks of interest, had never before, apparently, seen a twenty-dollar gold piece. The change handed to me was soiled, dirty paper, instead of clean, white silver.

In conclusion, I cannot do better than quote Chief Justice Field's dissent—may that seer live to see this abominable legal-tender heresy struck from the statute books:

"In the case of Augustus D. Juillard, plaintiff in error, vs. Thomas S. Greenman: Supreme Court of the United States, March 3, 1884:

"From the decision of the court I see only evil likely to follow. There have been times within the memory of all of us when the legal-tender notes of the United States were not exchangeable for more than one-half of their nominal value. The possibility of such depreciation will always attend paper money. This inborn infirmity no mere legislation can cure. If Congress has the power to make notes a legal-tender and to pass as money or its equivalent, why should not a sufficient amount be issued to pay the bonds of the United States as they mature? Why pay interest on the millions of dollars of bonds now due when Congress can, in one day, make the money to pay the principal? And why should there be any restraint upon unlimited appropriations by the government for all imaginary schemes of public improvement if the printing press can furnish the money that is needed for them?"

HUGH CRAIG.